



Library Budget and Finance

IC 5-11-1-24; IC 6-1.1-17

Although most public libraries have professional staff to manage library finance, board members still need a basic understanding of library finances. The board has a clear responsibility to ensure that public funds are used in the best interest of the community and the library has adequate financing to continue its programs and services.

Library finance is, without question, a complex matter. But understanding the basics of Indiana public library finances is not impossible if you know a few of the basics.

The concept of balance is one of the keys to local government budgeting in Indiana. It involves two related budgeting principles:

(A) Each library annually adopts a single integrated and balanced budget which reflects the financial program of the library. IC 6-1.1-17-6

(B) Indiana law requires not only a balanced budget, but also one which individually balances each component fund or account.

***IC6-1.1-17-6
Balanced
budgets are
required***

Library budgeting is organized into fund accounts which separate receipts and expenditures by source, purpose, and function within the library. The use of fund account classifications is intended to make the local budget more useful to the library.

When using the term "fund" one must remember the various accounts, which directly receive tax or other revenues, such as the Bond and Interest Redemption Fund, Operating Fund, Library Improvement Reserve Fund, Rainy Day Fund, and Library Capital Projects Fund. In this context each fund should be considered a separate account within the local budget, whether for receiving or expending monies.

***Budgets are
divided into
fund accounts***

Together all the funds comprise the integrated, overall financial and operational library plan. The separate funds come together as a unified whole on two occasions. The first is when the library director and the treasurer or a board representative attempt to estimate expenses. The second is when they attempt to estimate revenues.

Less obvious occasions when all funds come together are when tax rates or levies are established and whenever the budget must be revised. All funds together is the library's total budget. In fact, all of the different funds are always related to one another, if only indirectly.

Four budget classifications are used in the budget process, though few fund accounts (except the Operating Fund) will use all four expense classifications.

- a) Personal Services (direct labor costs of library director, treasurer, other employees, and employee benefits)
- b) Supplies (office, fuel, maintenance, etc.)
- c) Other Services and Charges (legal, transportation, printing, insurance, utilities, membership, ebook and database subscriptions, etc)
- d) Capital Outlays (buildings, improvements, furniture, books, non-print and other items used as basic materials furnished by a library)

Budget classifications keep the budget organized

The State Board of Accounts has prescribed specific forms to be used in the budget-making process. Many levels of government are involved in the review and approval of the public library budget so that strict compliance with the reporting and activity dates set by statute is essential.

Each year the Department of Local Government Finance provides local officials a budget calendar with timelines for the advertisement and adoption procedures required by law.

June--Annual budget workshops are held for librarians and board members.

July--New library units (mergers or establishment) must have submitted their budgets for approval by the Department of Local Government Finance.

The budget-making process is on a schedule

Libraries begin preparation of budget estimates to present to the city, town, or county fiscal body for review. In 2008, the general assembly passed legislation that put more controls on library's operating property tax levy by the implementation of the average growth quotient number. The average growth quotient number originates with the U.S. Bureau of Economic Analysis. The Indiana Department of Local Government Finance receives the data and announces the average growth quotient to the taxing units. If the ensuing total budget is below the average growth quotient for the current year, the budget is subject to non-binding review by the city/town, or county fiscal body depending on the library district. If the ensuing total budget is above the average growth quotient for the current year, the budget is subject to binding review by county/city/town fiscal body. The quotient limits the growth of the library's total budget from current year to the ensuing year.

The library boards must submit its proposed budget to the county/city/town fiscal body at least thirty (30) days before the county/city/town fiscal body is scheduled to hold its budget approval hearings. The process is driven by the county/city/town fiscal body. Therefore, it is important to confer with the appropriate fiscal body to determine a specific date by which the

library taxing unit must submit the proposed budget for review.

The total budget is adopted on or before November 3 in 2015. Once adopted, the library submits its budget forms in the Gateway within 48 hours of adoption by the fiscal body.

August--If not prepared in July, the library director and the treasurer of the library and often additional members of a budget committee prepare an itemized estimate of revenues available for the next budget year. They use estimates from the county auditor of taxes to be distributed locally and estimates from the Department of Local Government Finance of state monies to be distributed.



On or before August 1, the county auditor will send a statement of estimated taxes to be distributed to the public library for the last six months of the current budget year, along with an estimate of the assessed valuation of cities and towns, which will be used to determine the property tax rate and levy.

This information, except for that pertaining to property taxes, is used to complete the Estimate of Miscellaneous Revenue. This form reflects revenue for an 18-month period. This is necessary because revenues represent a continuous flow that must take into consideration periods preceding and following the budget year. For example, expenditures made at the beginning of the year must come out of revenues from the prior year. Budget form 2 in the Gateway reflects revenue for an 18-month period.

The current property tax control law must also be considered when preparing the budget estimates, since the law places a ceiling on the amount of revenue available to the library. (IC 6-1.1-17)

September--September 2 is last possible day for a unit to submit its proposed 2015 budget, tax levies, and tax rates to the appropriate fiscal body for review or adoption by that fiscal body.

In 2014 September 13 is the last date for first publication of 2015 budget and tax rate (at least one week prior to the second publication) (IC 36-12-3-12b1). And September 20th of 2015 is the last date for publication of budget and tax rate for the second time. IC 6-1.1-17-3 states, "The first publication must be before September 14, and the second publication must be before September 21 of the year." Always consult the DLGF budget calendar memo issued in May or June for the budget planning year.



Non-Binding Review by City/Town/County Fiscal Body

October Last day for county fiscal body to complete review and issue non-binding recommendation to the library. It is important that the librarian and one or more members of the library board be present at the hearings of the fiscal body in order to answer questions which may be asked about the budget.

In 2014 October 24 last possible day for taxing units to hold a public hearing on the 2015 budget. Public hearing must be held at least ten days before the adoption hearing.

The last date for ten or more taxpayers to file an objection petition with the public library board is not more than seven days after the hearing. The objection petition must specifically identify the provisions of the budget, tax rate, and tax levy to which the taxpayers object.



Mandatory Adoption by Appropriate Fiscal Body

The fiscal body of the city, town, or county (whichever applies) must review each budget and proposed tax levy and adopt a final budget and tax levy for each unit. The fiscal body may reduce or modify but not increase the proposed budget or tax levy.

If the library fails to timely file the required information with the appropriate fiscal body (city/town or county), the most recent annual appropriations and annual tax levy of that library is continued for the ensuing budget year.

November 3 is the last date to file all 2015 budget forms with county auditor. You need to get your budget forms to the county auditor two (2) days after they are adopted, if you go with an earlier timetable. Also included with all the forms submitted to the county auditor, if a petition is filed by taxpayers objecting to the budget, the library board shall adopt with its budget a finding concerning the objections in the petition and any testimony presented at the adoption Note: all submissions are automated through the Gateway beginning in 2011.



The Department of Local Government Finance has until February 16th to certify the library's final approved 2015 budget.

Indiana's State Board of Accounts has established the budgetary fund accounting method for all local governmental units in the state. It prescribes both procedures and forms to be used in preparation of the local budget and the expenditure of funds. (IC 5-11-1-24)

The local public library accounting system serves three basic purposes. The first involves the notion of "accountability" which is related to the "stewardship" role of the library. The accounting system enables the library to meet the obligation to safeguard public funds and to spend only for legitimate purposes and only on proper authorization.

*Uniform
accounting is
the rule*

Second, the uniform accounting system provides useful financial information. This relates to the "management" role and the need for accurate, timely, and reliable information as a basis for effective decisions and library policies.

The third purpose, which is related to both stewardship and management, is to provide information to the public by which they can assess the financial conditions and operations of the local public library. With the implementation of Gateway in 2011 there is greater transparency of library financial records.

The *Accounting and Uniform Compliance Guidelines Manual for Libraries* is compiled and updated annually by the State Board of Accounts. The state-prescribed procedures fall into the following categories:

1. Accounting for appropriations
2. Accounting for receipts
3. Accounting for payroll expenditures
4. Accounting for non-payroll expenditures

Library boards may issue, when necessary, warrants or tax anticipation notes which are to be paid back within the budget calendar year (IC 36-12-3-10). For the exact procedure to follow, refer to *Accounting and Uniform Compliance Guidelines Manual for Libraries*.



Library boards have the power to request an advance on tax money collected for distribution to the various governmental units within the counties.

Such advance draws can help alleviate cash flow problems caused by a lack of operating balance (IC 5-13-6-3). Refer to *Accounting and Uniform Compliance Guidelines Manual for Libraries* for the procedure to follow.

Finance terms to know

Additional Appropriation - an approval obtained during the budget year to authorize spending more than was originally appropriated.

Ad Valorem - according to the value.

Ad Valorem Tax Levy - total property taxes imposed by a taxing unit on current property assessment. It is collected the next year.

Adopting County - county in which the County Adjusted Gross Income Tax (CAGIT) or County Option Income Tax (COIT) has been adopted.

Appropriation - legally approved budget.

Assessed Valuation - that fraction of the fair market value of taxable property as set by statute.

BIRF - Bond and Interest Redemption Fund.

***Finance
terms to
know***

Budget Year - the twelve month period for which a taxing unit adopts a budget, and levies an ad valorem property tax rate--January through December for public libraries.

Certified Distribution - the amount of County Adjusted Gross Income Tax (CAGIT) which the commissioner of the Department of Revenue shall, on or before July 1 of each year, certify to the treasurer of a county imposing CAGIT as the amount of tax the county treasurer shall receive during the next succeeding calendar year for allocation and distribution among the taxing units and school corporations.

Certified Share - the amount of County Adjusted Gross Income Tax (CAGIT) which the auditor of a county imposing CAGIT shall certify to each participating taxing unit, including the library, in the county as the amount of tax such participating taxing unit shall receive from the treasurer during the next succeeding calendar year.

Commercial Excise Vehicle Tax (CVET) - truck, tractor, trailer, semi trailer, or truck-tractor subject to registration under IC 9-18.

County Adjusted Gross Income Tax (CAGIT) - taxes collected on county income and divided into two forms of payment to libraries, certified shares and property tax replacement credit.

County Option Income Tax (COIT) - a county income tax that may be adopted by counties not having CAGIT.

Department of Local Government Finance (DLGF) - state agency carries out the following responsibilities:

1. Ensures that laws regarding property tax assessment and local government budgeting are carried out properly.
2. Publishes rules governing property tax assessment.
3. Annually reviews and approves the tax rates and levies of every political subdivision in the state, including all counties, cities, towns, townships, school corporations, libraries, and other entities with tax levy authority.
4. Gathers and analyzes data relating to property taxation, to maintain databases, and periodically to report on taxation to the General Assembly.
5. Provides training to assessing officials and administers an assessment certification program.

Excess Levy Fund - When property tax collection exceeds the library's approved levy, unit is required to place this money in a separate "levy excess fund." This money must be used

to reduce the levy in next year's budget.

Funds - Categories for separating revenues into which funds may be received and disbursed. Typical funds include: operating, improvement reserve, construction, bond, rainy day, capital projects, gift and petty cash.

Some funds are required to be broken down into smaller categories for expenditures. These categories are called accounts. One of the most important funds, which must have accounts, is the operating fund.

Funds are categories into which money is received and disbursed on paper. They are not actual bank accounts or investments. You could conceivably have every last penny you own in one checking account in one bank and have several funds. In the past the most you could have in one bank was \$100,000. That is no longer the case since FDIC insures deposits up to \$250,000. The deposit in the bank needs to be secured by an assurance such as FDIC.

Levy - actual amount of dollars raised in property taxes.

Library Tax Rate - shall be in the amount of not less than five cents nor more than fifty-five cents on each hundred dollars of assessed value of taxable property within the library taxing district.

LIRF - Library Improvement Reserve Fund can be established for the accumulation of monies for capital improvement and repairs. This money comes from the operating fund and is not a separate tax rate.

Maximum Levy - a taxing unit may not exceed the previous year's ad valorem property tax levy (set by statute) except for a percentage increase (set by statute).

Public Employees Retirement Fund (PERF) - a retirement program to provide retirement, disability and survivor benefits for its members.

Rainy Day Fund - can be established to receive transfers of unused and unencumbered funds (not more than ten percent of operating fund per fiscal year). Funds other than operating funds may be added to the rainy day fund. It is subject to the same appropriation process as other funds that receive tax money. See IC 36-1-8-5.1

State Board of Accounts - people who supervise the way you spend your money after the Department of Local Government Finance has approved it; also conducts the audits of governmental units.